

Program Memorandum Intermediaries

Department of Health and
Human Services (DHHS)
Centers for Medicare and
Medicaid Services (CMS)

Transmittal A-01-83

Date: JULY 12, 2001

CHANGE REQUEST 1759

SUBJECT: Skilled Nursing Facility (SNF) Annual Update for FY 2002

This Program Memorandum (PM) informs you of changes to the SNF Prospective Payment System (PPS) as a result of the updates to payment rates. Annual updates to the PPS rates are required by §1888 (e) of the Social Security Act, as amended by the Medicare, Medicaid and State Child Health Insurance (SCHIP) Program Balanced Budget Refinement Act of 1999, and the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000.

On July 31, 2000, CMS published a final rule in the *Federal Register* (64 FR 46770), detailing the schedule of SNF PPS Federal rates applicable for Medicare SNF payments in FY 2001. CMS will publish the SNF payment rates for FY 2002, that is October 1, 2001 through September 30, 2002, before August 1, 2001 in the *Federal Register*.

The methodology used for the update is identical to that used in the previous year. The rates will reflect a number of adjustments required by the statute. These include:

- update to the Federal rates using the latest market basket minus 0.5 percentage point,
- temporary increase in the adjusted Federal rates of 20 percent for certain RUGs and 6.7 percent for certain others (as listed in the NPRM published on May 10, 2001 and also appearing in the publication of the Final Rule),
- 16.66 increase in the nursing case-mix component of the rates, and
- 4 percent increase in the adjusted Federal rate for FY 2002.

This PM is effective for SNF services provided on or after October 1, 2001 and ending September 30, 2002.

Revised Pricer

A new SNF PRICER software package will be released prior to October 1, 2001 that will contain the updated rates that are effective October 1, 2001 through September 30, 2002.

The effective date for this PM is October 1, 2001.

The implementation date for this PM October 1, 2001.

The contact person for this PM is Angela Ward on (410) 786-9496.

These instructions should be implemented within your current operating budget.

This PM may be discarded after September 30, 2002.